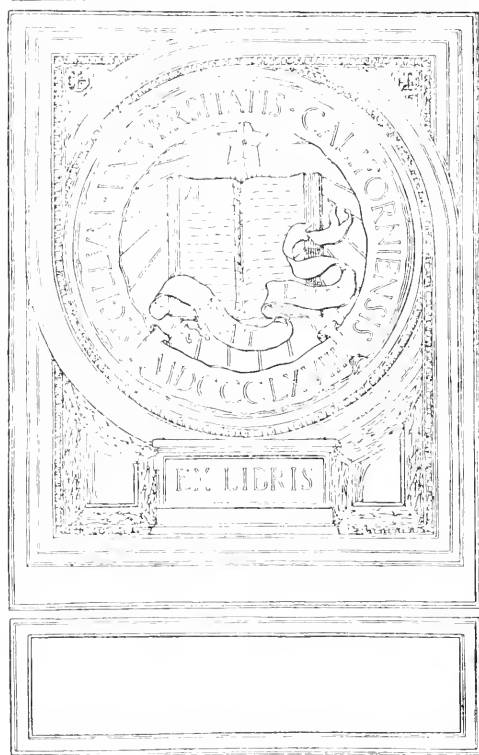
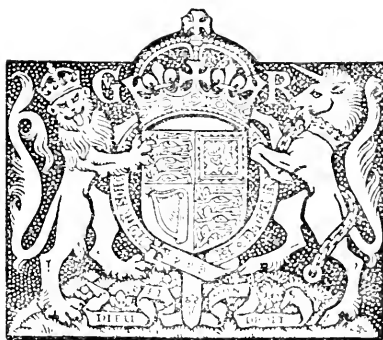




Great Britain. Committee on
rubber situation in British
colonies and protectorates.
Report.

UNIVERSITY OF CALIFORNIA
AT LOS ANGELES





REPORT OF A COMMITTEE

Appointed by the Secretary of State for the Colonies
to Investigate and Report upon the present

Rubber Situation

in

British Colonies and Protectorates

*Presented to Parliament by
Command of His Majesty.
June, 1922.*

LONDON:

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:

Adastral House, Kings-way, London, W.C.2; 120, George Street, Edinburgh;

York Street, Manchester; 1, St. Andrew's Crescent, Cardiff;

15, Donegall Square West, Belfast;

or through any Bookseller.

1922.

(*Reprinted 1927.*)

Price 3d. net.

Cmd. 1678.

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TERMS OF REFERENCE.

"To investigate and report upon the present Rubber situation
" in British Colonies and Protectorates for the information of the
" Secretary of State for the Colonies, and to advise what remedial
" measures should be taken to improve the existing position."

CONSTITUTION OF COMMITTEE.

SIR JAMES STEVENSON, Bart., G.C.M.G. (*Chairman*),

SIR STANLEY BOIS,

SIR EDWARD BROCKMAN, K.C.M.G.,

MR. E. J. BYRNE,

MR. WM. DUNCAN,

SIR GILBERT GRINDLE, K.C.M.G., C.B.,

MR. H. ERIC MILLER,

SIR EDWARD ROSLING,

MR. S. H. LEAKE, O.B.E. (*Secretary*).

NOTE.—No expenses have been incurred on account of this Committee
except those of printing and publication, amounting to £5 5s.

APPROVED AND FORWARDED:
BY THE SECRETARY OF STATE FOR THE COLONIES.

REPORT.

MR. CHURCHILL,

The Committee's terms of reference were :—

" To investigate and report upon the present Rubber situation in British Colonies and Protectorates for the information of the Secretary of State for the Colonies, and to advise what remedial measures should be taken to improve the existing position."

2. The Committee have had many suggestions and much information before them, including the Reports of the Duncan Committee submitted to the Government of the Straits Settlements and Federated Malay States on January 26th, 1921, and the Report, dated October 1st, 1921, of the Commissions appointed by His Excellency the Governor of the Straits Settlements and High Commissioner of the Federated Malay States to enquire into and report on :—

(a) the present state of trade depression brought about in the main by the continued depression in the Rubber Industry ; and

(b) the extension of credit facilities.

3. The Committee devoted their attention in the first place to ascertaining the present state of the Rubber Industry. In the absence of complete official statistical information, the Committee carefully investigated the relevant statistics from such official and unofficial sources as were available, and have concluded that the following figures of Plantation and Wild Rubber may be taken as showing approximately the present position :—

Production :—The actual production of Crude Rubber in 1920 and 1921 was :—

Year.		Plantation.	Wild.	Total.
		Tons.	Tons.	Tons.
1920	...	335,000	35,000	370,000
1921	...	260,000	22,000	282,000

The normal unrestricted output of Plantation Rubber during 1922, is estimated at 380,000 tons, whilst the production of Wild Rubber is estimated at 20,000 tons, or 400,000 tons in all.

Consumption.—The average annual world absorption during the years 1919-21 was 300,000 tons, viz. :—

1919	...	...	...	...	330,000 tons.
1920	...	...	...	...	340,000 ..
1921	...	...	...	...	265,000 ..

In the present state of world trade, it is not possible to estimate the consumption of Crude Rubber in 1922 at more than the foregoing average, viz. : 300,000 tons, but some authorities place the probable consumption as low as 260,000 tons.

Stocks.—The total world stocks of Crude Rubber on January 1st, 1922, are estimated at :—

In consuming countries	210,000 tons.
In producing countries	60,000 ..
Afloat	40,000 ..
	<hr/>
	310,000 ..
	<hr/>

This estimate of the total amount of Crude Rubber in existence includes the invisible stocks in the hands of both producers and manufacturers. Necessary stocks of Crude Rubber may be estimated at the equivalent of eight months' consumption, which on the foregoing estimate for 1922, would call for 200,000 tons. On this basis the surplus stocks at January 1st, 1922, amounted to 110,000 tons.

4. From these figures it appears that, in order to reduce the production of Plantation Rubber to the level of probable consumption during 1922, a restriction to at least 75 per cent. of normal production would be required. The Committee were of the opinion, however, that the depression in the Industry could not be sufficiently rapidly relieved unless a substantial inroad were made into the existing surplus stocks during 1922, and that a more drastic restriction is imperative to ensure this.

5. On these figures, the Committee cannot fail to advise you to contemplate with grave concern the position of the Industry in British Colonies and Protectorates, unless steps are taken to reduce stocks and, further, to prevent over-production of rubber so long as the potential normal production continues to be substantially in excess of consumption. They are of opinion that consumption is not likely to overtake potential production for some years.

6. The Committee next directed their attention to the manner in which the existing surplus could be reduced and future supplies so regulated with a view to establishing an equilibrium between supply and demand, and stabilising the Industry on a sound footing. They have examined this problem from four points of view :—

- (a) Stimulation of new and extended uses of rubber.
- (b) Voluntary restriction.
- (c) The *laissez-faire* argument.
- (d) Government action.

7. With regard to (a), there is no doubt that much can be done in the direction of stimulating new and extended uses of rubber, but this cannot, in itself, provide an immediate solution of the problem, since much time must necessarily elapse before any new and extended uses of rubber can become sufficiently operative to bring about materially increased consumption. Further, it should be realised that improved methods of manufacturing rubber products, such as tyres, undoubtedly prolong the life of the article and consequently curtail the demand for raw rubber.

8. With regard to (b), the Rubber Growers' Association, which represents about 37 per cent. of the plantation rubber-producing interests, secured the adhesion of nearly all their members to a voluntary restriction of output to 75 per cent. of normal during the period November 1st, 1920, to December 31st, 1921. During December last, they endeavoured to secure the assent of their members to continue voluntary restriction by undertaking not to produce more rubber during the first six months of 1922 than they produced during the corresponding period of 1921, or alternatively, than 75 per cent. of their output during the corresponding period of 1920. The Council of the Association was able to secure the assent of only 55 per cent. of the producing interests represented by members of the Association, as compared with the minimum of 70 per cent. deemed necessary to make the scheme operative. Notwithstanding this, it is evident that the necessity for continuing to restrict output is appreciated by a large proportion of the members of the Association, who will, no doubt, continue this policy on an independent voluntary basis.

9. With regard to (c), the advocates of the *laissez-faire* policy desire to see a survival of the fittest. They rely on being themselves amongst the survivors, and disregard entirely the hardships which must fall on the many tens of thousands of shareholders in this country alone, and the many thousands of European and Asiatic owners and shareholders resident in the countries of production, if the Industry is to drift along unprofitably until the weakest have been eliminated. It must be borne in mind that even though a proportion of existing proprietors are forced to abandon their estates, the rubber trees thereon will remain a potential source of rubber and will be brought into production again by someone as soon as a margin of profit can be secured. The Committee could not, therefore, advise you to leave things in their present unsatisfactory state, unless all efforts to find a positive solution of the problem fail.

10. With regard to (d), the Committee are fully aware of the grave objections to Government interference with industry, especially when it takes the form of restricting the output of an important raw

material. These objections are obvious to all and need not be set out in detail. It was only with reluctance and with a lively apprehension of the dangers which threaten both the Industry and the countries in which it is so largely carried on that the Committee agreed to consider a measure of compulsory restriction as an alternative to what seemed to be worse evils.

11. Further, the Committee desire to put on record that at the outset of their enquiry, they formed and have never departed from, the conviction that it was impossible to deal with the problem as one affecting only the British Colonies and Dependencies in which rubber is produced. They recognised from the first that no scheme of restriction, whether voluntary or compulsory, could usefully be applied in Malaya unless it was simultaneously applied in other countries in which there is production of rubber on a large scale. This conviction formed the basis of the Committee's deliberations, and, in particular, they have throughout kept in view the fact that no scheme, however excellent in itself, could properly be recommended to you for adoption unless it commended itself to the Authorities of the Dutch East Indies, who control the only important source of Plantation Rubber outside British Colonies and Dependencies.

As indicating the relative importance of different plantation rubber-producing countries, the following approximate percentages are given :—

Percentage of Total Production.					
Malaya	...	...	...	...	57.5
Ceylon	...	...	...	...	12.5
South India and Burma	...	...	...	...	2.0
Netherlands East Indies	...	...	...	...	25.5
Other Countries	...	...	...	...	2.5
<hr/>					
100.0					
<hr/>					

12. The Committee had numerous schemes before them involving Government action, but as several had fundamental objections it is not proposed to refer to them all in this Report. Two schemes, however, appeared to offer a practicable solution of the problem, and are briefly described below :—

Scheme (I) is that suggested by the Duncan Committee in their Report of January, 1921, and involves legislation prohibiting both the production and export of any quantity of rubber in excess of a prescribed percentage of that produced or exported during a specified previous period.

Scheme (II) was proposed by the Chairman, and comprises a graduated scale of export duties, varying with the percentage of standard production (*i.e.* output during a specified previous period) exported: a low duty being fixed on the amount exported within a

permissible percentage and prohibitive duties being fixed if more than the permissible standard production be exported.

The outlines of these two schemes are as follows :—

Scheme (I) :—

- (a) adopts, as the standard production, the actual output of each producer during the twelve months, November, 1919, to October, 1920, estimated to aggregate 330,000 tons of Plantation Rubber from all producing countries;
- (b) restricts to a percentage of the standard production, leaving a margin of production available to meet forward contracts or cases of special hardship; such percentage being fixed from time to time by notification in the Government Gazette;
- (c) sets out draft enactment and rules to carry the scheme into effect.

Scheme (II).—“ Standard Production ” would be the same as in Scheme (I), and the following scale of duties is proposed :—

Percentage of Standard Production exported.						Subject to duty per lb. over all.	
Per cent.						s.	d.
Over 100	...	...	...	...	...	1	2
91 to 100	...	...	...	...	...	1	0
81 to 90	...	...	...	...	...		10
76 to 80	...	...	...	...	...		8
71 to 75	...	...	...	...	...		6
66 to 70	...	...	...	...	...		4
61 to 65	...	...	...	...	...		2
60 and under	...	...	...	...	...		1

Of these rates of duty, 1*d.* per lb., irrespective of the price of rubber or quantity exported, would be imposed permanently in lieu of the existing *ad valorem* duty, but rates in excess of 1*d.* would be temporarily imposed, say for three years. When the rubber situation improved so as to justify an increased percentage of standard production being exported, the necessary elasticity would be secured by fixing the minimum rate of 1*d.* just below the increased percentage required; thus, if export of 70 per cent. instead of 60 per cent. could be absorbed, the duty on export of 70 per cent. and under would be fixed at 1*d.*, duty on 71 per cent. and over remaining as in the scale.

13. It will be seen that the essential differences between the two schemes are that the first prohibits output over a fixed percentage and secures no revenue to the State, whilst the second would have a tendency to restrict exports over a fixed percentage, but not directly production, would bring in a revenue to the State from duty, and should not prove difficult to administer.

14. The Committee regard Scheme (II) as the preferable of the two and easily workable. If adopted, the percentage of standard

production to be allowed during the twelve months following the introduction of the scheme should be fixed at 60 per cent., which, with the margin to meet forward contracts or cases of special hardship by reason of the period selected for the standard, would ensure a substantial diminution of the surplus stock of Crude Rubber. Alterations in the percentage of standard production should be governed by the price of standard quality Smoked Sheet in the London market, and it was proposed that when the price for such rubber had been maintained at not less than 1s. 3d. per lb., London landed terms during the whole of three consecutive months, the percentage of production which may be exported at the minimum duty should be raised automatically by 5 for the next ensuing quarter. At the end of every quarter a similar adjustment, either upwards or downwards, in the permissible percentage exported at the minimum rate of duty would automatically take place, but the percentage would not fall below 60 per cent.

In arriving at this formula the Committee had most prominently in view the desirability of taking no steps which would be liable to prejudice the legitimate development and expansion of the uses of rubber. A policy of restriction can only be a temporary palliative, but, in fixing the price which shall govern the alterations in the percentage of standard production exported at the minimum rate of duty, the Committee arrived at what they believed to be a figure which would ensure a satisfactory margin of profit, notwithstanding the somewhat higher cost of a restricted crop. At the same time, the manufacturers of rubber goods should be able to obtain their supplies of crude rubber at a reasonable price with much less risk of the violent fluctuations which have been such a drawback in the past, and should thus have every encouragement to develop new uses for rubber, many of which have already been suggested and are only awaiting practical exploitation on a substantial scale.

15. The minimum rate of Export Duty allowed in the scale is approximately twice the amount now payable in Ceylon and in the Federated Malay States at the price indicated, and the Committee contemplated that increase only because the working of the scheme may involve some additional expense on the part of Government in administering it. They are of opinion that a substantial proportion of any additional revenue obtained under the scheme should be specifically set aside and applied for the direct benefit of the Plantation Rubber Industry in such ways as Scientific Research, and the development of new uses for rubber.

16. Having reached a tentative agreement to submit the two schemes, the Committee, being convinced that it was essential that any policy of restriction, if it is to be effective and not to injure one producing country to the advantage of others, must be applied simultaneously in all the chief producing countries, viz. : Malaya,

Netherlands East Indies and Ceylon, considered it advisable that steps should be taken to have their schemes submitted to the proper authorities in those countries.

17. The Chairman accordingly reported the position to you towards the end of November and obtained your authority to approach the Netherlands Government, with a view to ascertaining whether they would be prepared to co-operate in the adoption of one or other of these two schemes.

19. Until the attitude of the Dutch is definitely known, the Committee are unable to carry their enquiry further, as they cannot recommend the adoption of either of the proposed schemes by only one or more British Colony or Protectorate.

In view of the present disparity between probable demand and potential production, and the large surplus stocks which exist, the immediate outlook of the Rubber Industry is a serious one, but the Committee desire to record their unanimous conviction that stabilisation on a sound basis can be secured by friendly co-operation amongst the principal producing countries. So strongly do the Committee believe this to be the case that they consider the Governments concerned would be well advised actively to encourage such co-operation and they trust that you may consider it worth while, in the light of this report, to cause further representations to be made to the Dutch Government on the subject, with a view to holding an International Conference in London of the principal interests concerned.

J. STEVENSON (*Chairman*),

STANLEY BOIS,

E. L. BROCKMAN,

E. J. BYRNE,

WM. DUNCAN,

G. GRINDLE,

H. ERIC MILLER (subject to rider *re* para. 15),

EDWARD ROSLING.

S. H. TEAKE,

Secretary.

May 19th, 1922.

RIDER.—With reference to para. 15 of this Report, I am unable to agree that Government would be justified in retaining any portion of the additional revenue accruing under the scheme after defraying the cost of administering it. I am of opinion that all such surplus revenue should be specifically applied for the benefit of the Industry.—H. ERIC MILLER.

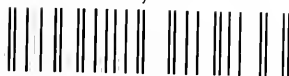
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